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IN THE

Supreme Court of The United States

October Term, A. D. 1927.

No. [redacted] 155

RICE & ADAMS CORPORATION,

Petitioner,

v.

HARRY D. LATHROP,

Respondent.

BRIEF BY RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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No. 1012.

RICE & ADAMS CORPORATION,

Petitioner,

v.

HARRY D. LATHROP,

Respondent.

BRIEF BY RESPONDENT IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

To the Honorable, the Supreme Court of the United States:

Respondent prays that the petition for writ of certiorari to review the judgment of the Circuit Court of Appeals for the Second Circuit be denied, and respectfully shows to this Honorable Court:

I.

Supplementing petitioner's statement of the case under heading A of the petition, for the purpose of correcting

certain inaccuracies and omissions, petitioner makes no mention of the fact that the Blair patent No. 880,713 in suit was the subject of prior litigation between respondent and the Bowman Dairy Company in the District Court for the Northern District of Illinois, Eastern Division (R. 12) in which the patent in suit was sustained as valid and infringed. That suit was brought against a user of a machine manufactured and sold by the present petitioner as manufacturer. In that suit petitioner and the Bowman Dairy Company were joined as parties defendant, but although the bill was dismissed as to petitioner on the ground that it maintained no established place in business in the Illinois District, the subsequent defense of the suit was conducted openly and avowedly by the petitioner herein, Rice & Adams Corporation, with the full knowledge of respondent and his counsel, (R. 176, 183, 415 et. seq.).

After the entry of a final decree by his Honor Judge Carpenter in the Illinois suit (R. 12) following a full and bitterly contested suit on the merits, respondent filed his bill of complaint in the instant suit on January 21, 1925 (R. 1), forty-two days before the expiration of the patent in suit (R. 606), and alleged, *inter alia (R. 4)* that the present petitioner had openly and to the knowledge of respondent conducted the defense in the Illinois suit against the Bowman Dairy Company, had paid all expenses of said defense, and had paid the judgment rendered in the final decree, all to the knowledge of respondent, wherefore said final decree entered in the Illinois suit became *res adjudicata* against the present petitioner. Respondent promptly moved for a preliminary injunction, papers in support and opposition were filed, the case argued by counsel for both parties, and on February 9, 1925, his

Honor Judge Hazel of the District Court for the Western District of New York rendered an opinion in denial of the motion for injunction, citing as an additional ground therefore, not mentioned in the present petition, that infringement was strongly denied and that patents other than those before the Court in the Illinois case were urged as anticipatory (R. 73). Thus, in complete harmony with controlling decisions by this Court hereinafter cited, not only was there time after the filing of the bill within which to present a motion for preliminary injunction, but such motion was presented, a hearing was had thereon and the trial Judge in the exercise of his sound discretion handed down an opinion denying the motion, all before the expiration of the patent in suit. It is apparently petitioner's contention that although the trial court might have had equity jurisdiction to entertain the motion for preliminary injunction, that jurisdiction was immediately lost upon the denial of the preliminary injunction motion, but this contention is directly contrary to ruling decisions by this Court and the fundamental principle that equity having acquired jurisdiction in the first instance, jurisdiction will be retained until a final determination of the controversy.

Immediately thereafter petitioner filed a motion to transfer the cause from the equity to the law side of the Court (R. 75) but this motion was denied by his Honor Judge Hazel (R. 79) in an opinion appearing in *6 F. (2d) 91*, in which his Honor comments upon the prior decree in the Illinois District Court against a customer of petitioner wherein the patent in suit was held valid and infringed and it appeared that petitioner was in privity, and his Honor concluded that in the circumstances respondent had a right at the time the suit was instituted

to commence in equity and assert his right to an injunction. Moreover his Honor held that in addition to the prayer for injunctive relief, the bill sought an accounting for profits and damages as an additional ground for equitable relief, although in the present petition petitioner asserts that an application for an injunction was the only basis for equitable relief set up in the bill. In conclusion, his Honor Judge Hazel held that the relief sought in the bill was grantable and was only denied in the exercise of the Court's discretion and that the request of transfer to the law side must be denied.

The motion to transfer was renewed by petitioner at the beginning of the trial and again denied (R. 388); the case was heard on the equity side and the patent held valid and infringed in a decree for respondent (R. 562) entered pursuant to the trial court's opinion (R. 550) reported in *21 F. (2d) 124*.

The trial court in its opinion (R. 553) declined to apply the doctrine of *res adjudicata* or privity in connection with petitioner's participation in the previous Illinois litigation on the sole ground that it had not been sufficiently shown that the petitioner controlled the right of appeal in the Illinois case, and therefore, although the decision was a complete victory for respondent on the validity and infringement issues, respondent strenuously contended on the appeal, both in brief and argument, that the doctrine of *res adjudicata* was applicable under the facts and circumstances and that the present petitioner was bound by the decree in the Illinois suit. The Circuit Court of appeals for the Second Circuit affirmed the lower Court's decree without opinion (R. 716), and thus the importance of the *res adjudicata* issue lies in the fact that full proofs

having been taken on this issue and the matter thoroughly argued in both the trial and Appellate Court, the affirmance by the Court of Appeals of the decree in favor of respondent might well have been predicated solely upon a decision in favor of respondent upon the *res adjudicata* issue, inasmuch as in basing its affirmance upon that ground no revision of the decree (R. 562) would have been necessary. This contention is supported by the authority of this Court hereinafter cited and if the affirmance was upon that ground (and there is nothing in the record indicating the contrary) the present petition is without basis inasmuch as the grounds now relied upon as a basis for seeking a review by this Court were totally absent in the Illinois suit. Petitioner then applied to the Court of Appeals for a rehearing on practically the identical grounds of the present petition and this application was denied (R. 725).

II.

SUMMARY OF ARGUMENT.

1. There is no real conflict between different courts of appeal on any issue here involved, but the conclusions reached in each particular case necessarily depended upon the particular facts and circumstances involved. The cases cited by petitioner are clearly reconcilable as following controlling principles announced by this Court:

Clark v. Wooster, 119 U. S. 322.
Beedle v. Bennet, 122 U. S. 71.
Busch v. Jones, 184 U. S. 598.
Woodmanse v. Williams, 68 F. 489.
Kennicott v. Bain, 185 F. 520.
Sly v. Central, 201 F. 683.
Stromberg Co. v. Holly Co., 260 F. 220.
LeRoy v. DeVry, 16 F. (2d) 18.
Tompkins v. International, 183 F. 773.
Tompkins v. St. Regis, 236 F. 221.

2. Where the rules of the trial Court permit time after the filing of the bill and before expiration of the patent within which to apply for a preliminary injunction, the Court may assume and retain equity jurisdiction even though the application for injunction is denied.

Clark v. Wooster, 119 U. S. 322.
Lathrop v. Rice & Adams, 6 F. (2d) 91.
LeRoy v. DeVry, 16 F. (2d) 18.
Stromberg v. Holly, 260 Fed. 220.

3. The retention of equity jurisdiction or dismissal of the bill where filed shortly before the expiration of the patent, is a matter purely within the discretion of the trial Court and the exercise of that discretion will not be disturbed unless clearly illegal.

Clark v. Wooster, 119 U. S. 322.
Tompkins v. International, 183 Fed. 773.
Lathrop v. Rice & Adams, 6 Fed. (2d) 91.
Sly v. Central, 201 Fed. 683.

4. A decree may be affirmed where the record supports the decree although the affirmance may be upon different grounds than those relied upon by the trial Court.

Murdock v. City of Memphis, 87 U. S. 590.

III.

ARGUMENT.

1. It is submitted that the principle of law involved in this proceeding is governed by the case of *Clark v. Wooster, 119 U. S. 322*, in which the bill of complaint was filed fifteen days before the expiration of the patent in suit. The principle announced in this decision has not been modified in any manner by this Court and the statement by Mr. Justice Bradley appears at page 324 as follows:

> "As to the first point, the bill does not show any special ground for equitable relief, except the prayer for an injunction. To this the complainant was entitled, even for the short time the patent had to run, unless the court had deemed it improper to grant it. If, by the course of the court, no injunction could have been obtained in that time, the bill could very properly have been dismissed, and ought to have been dismissed, and ought to have been. But by the rules of the court in which the suit was brought, only four days' notice of application for an injunction was required. Whether one was applied for does not appear. But the court had jurisdiction of the case, and could retain the bill, if, in its discretion, it saw fit to do so, which it did. It might have dismissed the bill, if it had deemed it inexpedient to grant an injunction; but that was a matter in its own sound discretion, and with that discretion it is not our province to interfere, unless it was exercised in a manner clearly illegal. We see no illegality in the manner of its exercise in this case. The jurisdiction had attached, and although, after it attached, the principal ground for issuing an injunction may have ceased to exist by the expiration of the patent, yet

there might be other grounds for the writ arising from the possession by the defendants of folding guides illegally made or procured whilst the patent was in force. The general allegations of the bill were sufficiently comprehensive to meet such a case. But even without that, if the case was one for equitable relief when the suit was instituted, the mere fact that the ground for such relief expired by the expiration of the patent, would not take away the jurisdiction, and preclude the court from proceeding to grant the incidental relief which belongs to cases of that sort. This has often been done in patent causes, and a large number of cases may be cited to that effect; and there is nothing in the decision in *Root v. Railway Co., 105 U. S. 189*, to the contrary. *Cotton Tie Co. v. Simmons, 106 U. S. 89; Lake Shore etc. Railway v. Car-Brake Co., 110 U. S. 229; Consolidated Valve Co. v. Crosby Valve Co., 113 U. S. 157; Thomson v. Wooster, 114 U. S. 104.*"

The foregoing principle was followed by this Court and reiterated in *Beedle v. Bennet, 122 U. S. 71*, and *Busch v. Jones, 184 U. S. 598.*

In the instant suit the bill of complaint (R. 3) alleges irreparable damage, that continuing infringement is threatened (R. 4), and further (R. 6) the bill prays for an accounting, a provisional and perpetual injunction, and such further equitable relief as the case may require. Thus under the above decision it is submitted that in the instant case the prayer for injunctive relief would have been sufficient, but in addition the bill contained the usual prayer for an accounting of profits and damages.

The petitioner represents that a conflict on the point of law involved exists between decisions in the Sixth and Seventh Circuit and decisions in the Second Circuit, but

an analysis of the decisions relied upon shows that no real conflict is present and that, as is often the case in equity, other controlling equitable principles were involved. *Woodmanse v. Williams, 68 Fed. 489 (C. C. A. 6)* is an exceptional case. The trial Court dismissed the bill on the ground of laches and plaintiff's long-standing acquiescence over a period of fourteen years in defendant's infringement. This was the controlling ground for the affirmance by the Court of Appeals and the comment with reference to refusing injunctive relief was merely corollary to the principal holding that because of gross laches plaintiff was disentitled to any equitable relief. In the recent case of *Stromberg Co. v. Holly Co., 260 Fed. 220*, Eastern District of Michigan, defendant moved to dismiss on seven grounds, one of which was that the patent in suit expired seventeen days after the filing of the bill. His Honor Judge Tuttle cited *Clark v. Wooster, supra*, and tersely reiterated the principle as follows:

> "As there was ample time, according to the rules of this court after the filing of the bill in the present case, to obtain a temporary injunction if a motion therefor had been made, I have no doubt that this court has acquired jurisdiction over the subject-matter of the suit, and that it ought to now retain such jurisdiction, and make such disposition of the case after the final hearing as the facts and the law shall require."

Thus the most recent Sixth Circuit decision cited by petitioner is clearly in harmony with the rule followed in the present case. The case of *Kennicott v. Bain, 185 F. 520 (C. C. A. 7th)* was likewise an exceptional case in that the bill was directed against a single specific piece of machinery, which was dismantled three months before suit was brought, and the relationship of the parties

and exchange of correspondence had an important bearing upon the Court's affirmance of a dismissal of the bill. The date of expiration of the patent involved is not mentioned in the decision, and the case is not considered in point upon the question here involved. When the case of *Sly Mfg. Co. v. Central, 201 Fed. 683,* came before the Seventh Circuit Court of Appeals, a dismissal by the lower Court was reversed on the precise point here involved, and the Court followed *Clark v. Wooster, supra,* in holding that where facts existed when the suit was commenced, which might sustain an injunction, the question is not one of jurisdiction, but one of discretion in the exercise of jurisdiction. This decision removes any doubt in connection with any question of lack of harmony between the Second and Seventh Circuits that might have existed because of the previous decision in *Kennicott v. Bain.* In the opinion of His Honor Judge Hazel in the instant suit, denying petitioner's motion to transfer to the law side (R. 79), reported in *6 F. (2d) 91,* the Seventh Circuit case of *Sly v. Central, supra,* is cited and quoted with approval upon this precise point of law, and *Clark v. Wooster, supra,* is likewise cited. Apparently *LeRoy v. DeVry, 16 F. (2d) 18,* Second Circuit Court of Appeals, is petitioner's principal reliance, as establishing a color of discord; but again, this case was exceptional. The bill was filed on the day before the patent expired. Therefore, there could have been no opportunity for a hearing on a preliminary injunction motion before the expiration of the patent, and this clearly distinguishes the case from the principle announced in *Clark v. Wooster, supra,* and consistently followed in other cases. Furthermore, the Court of Appeals clearly distinguished from the earlier case of *Tompkins v. International, 183 Fed. 773,* in the same court, in

which on appeal a decree sustaining demurrer to the bill because the patent was about to expire, was reversed, and again *Clark v. Wooster* is cited as authority. *Tompkins v. St. Regis, 236 Fed. 221,* cited by petitioner, is clearly distinguishable inasmuch as the bill was filed four years after the patent expired.

2. From the foregoing decisions, it follows that the trial Court may in its discretion retain equity jurisdiction where a bill is filed shortly before expiration of the patent, the only necessary conditions precedent being the existence of time within which to present a motion for preliminary injunction. In the controlling case of *Clark v. Wooster, supra,* there was a period of fourteen days, and the opinion does not indicate whether or not application for an injunction was made, but the Court ruled that this was immaterial inasmuch as application could have been made in the comparatively short space of time. As above stated, in the present case there was a period of forty-two days within which time not only was application made, but papers in opposition were filed, the hearing was had, and an opinion rendered denying the injunction, all before the patent expiration date.

3. Again, as definitely announced in *Clark v. Wooster, supra,* the question of retaining equity jurisdiction resides solely within the discretion of the trial Court, and the exercise of that discretion will not be disturbed unless it is in a manner clearly illegal. Manifestly, there was nothing illegal in the trial Court's exercise of its discretion in this matter. The Court of Appeals has passed upon this discretionary matter at least twice, and it becomes apparent that the present petition is an attempt to secure a review by this Court upon a point of

law in the application of which this Court has stated the trial Judge is to be guided by his discretion.

4. The question of privity between the present petitioner and defendant in the Illinois suit was stressed in the present case, both in the trial Court and in the Court of Appeals. It appears that the trial Court was not convinced that the present petitioner had the right of appeal in the Illinois suit, although the other elements establishing privity were present. This conclusion by the trial Court was reached largely upon the testimony of a Mr. Herriott, local counsel for defendant in the Illinois suit, but it was strenuously contended that, even accepting this testimony, the present petitioner as defendant in this suit was estopped to deny that it had control of the appeal because of representations made in a letter from petitioner's counsel to Mr. Herriott (R. 538), a copy of which was forwarded to counsel for respondent herein, and representations made in a letter from counsel for petitioner to counsel for respondent (R. 541), in which letters respondent's counsel used the threat of taking an appeal in an attempt to procure a satisfactory settlement. Although in the instant suit the trial Court decided in respondent's favor on the validity and infringement questions, respondent was reluctant to forego the existence of privity between the parties, and the point was again urged in the Court of Appeals. Therefore, it is submitted that under the authority of *Murdock v. City of Memphis, 87 U. S. 590,* there is a strong probability that the Court of Appeals' affirmance was based upon the existence of a relationship of privity between petitioner and the defendant in the Illinois suit, in which case the present petition is without foundation.

SUMMARY

It is respectfully submitted:

1. An analysis of the decisions relied upon by petitioner shows a lack of conflict in decisions between different Courts of Appeals.

2. Controlling decisions of this Court announce that where the rules permit time within which to apply for an injunction after filing of the bill, equitable jurisdiction may be assumed and retained.

3. The retention of equity jurisdiction or dismissal of the bill is a discretionary matter on the part of the trial Court, and will not be disturbed unless clearly illegal.

4. The affirmance of the trial Court's decree in the instant case may have been upon the ground of *res adjudicata,* in which case the present petition is without basis inasmuch as the grounds advanced for invoking this Court's review were entirely lacking in the former suit.

Wherefore, respondent respectfully represents that the petition for certiorari should be denied.

Respectfully submitted,

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